

Aiken City Council MinutesWORK SESSION

April 22, 2019

Present: Mayor Osbon, Councilmembers Dewar, Diggs, Girardeau, Gregory, Price, and Woltz.

Others Present: Stuart Bedenbaugh, Gary Smith, Sara Ridout, Kim Abney, Kym Wheat, Angela Hales, Charles Barranco, Mike Przybylowicz, Tim O'Briant, Susan Yates, Ryan Bland, Lex Kirkland, Bob Brookshire and Colin Demarest, of the Aiken Standard.

CALL TO ORDER

Mayor Osbon called the work session of April 22, 2019, to order at 5:03 P.M. Mayor Osbon stated for Council discussion is the FY 2019-20 budget.

BUDGETFY 2019-20

City Manager Stuart Bedenbaugh stated Council will discuss the budgets for Engineering and Utilities, Water and Sewer, Stormwater, Road Maintenance, and time permitting, the Transportation and Public Safety Fund, Accommodations Tax and Hospitality Tax Fund.

He stated one thing that has been discussed with the Water and Sewer and Stormwater fund is that those are Enterprise Funds. They are user fee driven. On the regular agenda, there are rate increases to be approved for the Water and Sewer Fund. He stated there is a 1.8% increase in operations and maintenance costs that the County PSA is passing on to the City. The increase for the end user is just shy of 1.25%. Not all of the City's expenses are tied to the County PSA. The proposed sewer increase would be about \$.32 per month for the average residential user. The average residential user has been defined as using 800 cubic feet. The elderly and single users tend to use less, and they are billed less than 800 cubic feet. He stated in keeping in line with the rate study presented by the consultant last year and implemented by Council, a 3% water rate increase is proposed, and those residential customers would see an increase of about \$.27 per month for 800 cubic feet.

Mr. Bedenbaugh stated the Water and Sewer fund primarily funds the operations of the Engineering and Utilities Division. They have undertaken numerous projects. A lot of them were funded by the Capital Project Sales Tax, but in the last 18 months to two years, the City has embarked on some additional funding by borrowing from the Rural Infrastructure Authority and the State Revolving Fund to expedite some of the repairs to our water and sewer systems. One of the most visible projects is the sewer project that Jim Shelton, from Arcadis, comes and updates Council quarterly. He stated similar projects will continue into the coming year. He stated that Interim Engineering and Utilities Director Mike Przybylowicz was present to answer questions.

Mr. Przybylowicz stated the first phase of the Sand River project is scheduled to be complete in late November or early December. That would include 44 miles of sewer pipe they are grouting, inspecting, and cleaning. They are also receiving good information for the biosystem so they can do some proper planning. There will be another phase of projects. These are pipes that Mr. Shelton could not get into because of the condition. He stated there are a lot of water needs, but sewer is at the forefront right now with the new lift station project starting. An electrical assessment was completed for all of the larger lift stations. There will be a lot of work to be done in the sanitary sewer system to update the equipment.

Mr. Przybylowicz stated they are looking at some water line replacements and upgrades in the system. Currently they are conducting valve and hydrant work. They held off on some of that because of the Masters. Every year or every other year the City should be conducting valve maintenance to make sure they work in case of an emergency. That

project will start soon. There are 399 valves in the downtown area. He stated there is a lot of galvanized pipe in the system that they want to replace. Councilman Dick Dewar asked if there was a sense of how many valves do not function properly. Mr. Przybylowicz stated from what they have surveyed, they feel about 30% will not move past manufacture specs. They allow a 5% overage on manufacture spec for the amount of torque that you put on certain valves. Using that 5% overage, they can get another 10% out of that. They believe they can get them operating. He feels that 20% of the valves would need to be replaced. Councilman Dewar asked the cost of that. Mr. Przybylowicz stated it depends on the size and location of the valve.

Mr. Bedenbaugh pointed out some of the things included in the budget. There is \$1,466,000 set aside for system depreciation. There is about \$700,000 for the sewer system, and \$766,480 for water. He stated another item in the proposed ordinance for consideration by Council is charging out of City users triple rates. At the present time, we charge double rates for water and sewer customers outside the city. He reminded Council that the proposed triple rate would be a uniform rate that would affect residential, commercial, and industrial customers outside the city. The City's largest consumers of water are industries outside the City. Industries could take measures to save money and reduce their consumption of water so this could cause us to not collect more from these customers. Mayor Osbon stated he would prefer to not have the rates triple at this time since it could hurt the City. Mr. Bedenbaugh stated if that is the sense of Council then at the appropriate time at the regular meeting when the ordinance is considered, he will note that the ordinance calls for the charge to be tripled and that it is Council's wish to amend the ordinance to keep the rate at double the in-City rate and if Council wishes, they can make the motion and second and include it as part of the vote on first reading.

Councilman Woltz asked if the proposed rates are being increased enough just to meet costs, or to put money in the bank. Mr. Bedenbaugh stated the sewer rate increase implemented last year enabled the City to increase the amount that is put in the system depreciation; however, he feels it needs to be continually reviewed. He pointed out that for many years we did not adjust our rates and only did it when there was a revenue shortfall. He felt looking at the rates more consistently is wise. He believes that the sewer is in good shape since Council increased the sewer rate 11% last year. He felt the sewer rate would be fine with the passing on of the increase in O & M from Aiken County Public Service Authority. However, with water rates Council decided not to raise the water rates drastically last year. He felt the proposed water rate increase of 3% will keep the City on track, but will not make a windfall.

Councilwoman Gail Diggs asked if we would have to ask for another raise next year. Mr. Bedenbaugh stated for water we would. He said he could not speak for sewer because the County PSA may raise rates again. In the past, the City has absorbed a lot of rate increases from the County PSA, but recently Council has said not to absorb rate increases but pass them on to the end user. He stated he cannot guarantee whether or not the PSA will pass on an increase in rate next year.

Councilman Dewar asked if they could include in the Enterprise Fund infrastructure improvements in water, and just choose water. Mr. Bedenbaugh stated that is what was done last year. We can have a higher rate than recommended dedicating that portion of the extra increase to whatever Council wishes, which was system depreciation last year or to system maintenance and improvements. Councilman Woltz stated he feels the City is missing an opportunity. If the City is being charged an increase of 1.8% by the PSA for O & M then the city should pass that on. Mr. Bedenbaugh stated we can have the ordinance approved at first reading and before second reading, he can show Council, increasing at certain percentages, how much revenue can be dedicated to system depreciation and projects. Assistant City Manager Kim Abney stated as it is written the PSA amount is already included in the budget, but if Council does the 3% increase on the water and the base rate increases, that will allow the City to add about \$300,000 in projects. Councilman Dewar asked where the money is coming from for the valve project. Mr. Przybylowicz stated some of that money is coming from CPST and some is bond money.

Mayor Osbon stated that one of the goals for last year was taking care of 10% of the valves. He asked if that had been completed. Mr. Przybylowicz stated one of the suggestions was to do a valve study to see where valves can be inserted. They changed the project to see if what was in the ground now works before they start other areas.

Councilwoman Lessie Price asked who is the contact for the valve project. Mr. Przybylowicz stated Wachs Water is the one that will be doing the valve maintenance and valve turning, and with that we will receive a list of valves that need to be replaced in the downtown area out of the 399 that will be looked at. From there they will get a map that will tell us where to install new valves so entire City blocks will not be cut off. It will also help them know where hydrants need to be installed. Councilwoman Price asked if there was a plan for the infrastructure strategy over five or ten years and a proposed budget for it. Mr. Bedenbaugh stated we do have that. He stated it was presented to Council in the Spring of 2018.

Councilman Dewar stated when the Arcadis project is finished with their work, they will let the City know what needs to be done. He asked if there was an idea of how much that would cost. Mr. Przybylowicz stated they are looking at a second phase later in the calendar year. He stated they are looking at another \$500,000 - \$800,000. Mr. Bedenbaugh stated that Mr. Shelton, of Arcadis, will be giving City Council an update in July. Councilman Dewar stated the next update will hopefully tell Council the problems that were discovered in the first phase and give an estimate on Phase 2. He feels it will be significant. Mr. Bedenbaugh stated to implement a true 1.8% increase to reflect what we are receiving from the PSA, would increase the rate to \$.40 per month for 800 cubic feet. It would add \$.08 more per month to the sewer bill of an individual.

Councilwoman Price asked what the first phase of the sewer project cost the City. Mr. Bedenbaugh stated \$12 million, paid for with a combination of CPST funds and borrowing from the State Rural Infrastructure Authority. Councilwoman Price asked how many phases there will be. Mr. Bedenbaugh stated the first phase is underway now, and it could be seven or eight phases. He stated Phase 1 is addressing a lot of the pipes in the downtown area. Phase 2 will finish most of that area and as pipes age, some of the others can be addressed. Mr. Bedenbaugh stated the total infrastructure needs, all inclusive, is estimated to be \$240 million, and CPST IV is addressing about \$30 million of that among water, sewer, and stormwater.

Mr. Bedenbaugh stated in the regular meeting when Council considers first reading of the ordinance regarding rate increases, he will note in addition to a motion to potentially keep the out of City rate at double the in-City rate, he will also mention that we can modify with an updated Exhibit A for second reading the sewer rate to reflect a full 1.8%. There can be examples of what some other rate increases could bring in terms of revenue to the City that can be devoted to system depreciation and projects. Should Council pass first reading at this meeting and second reading on May 13, these rates would go into effect June 1, 2019.

Councilman Dewar asked if project money was being placed in the Enterprise Fund in the proposed budget. Mr. Bedenbaugh stated a number of projects are funded in this budget. Councilman Dewar asked how much money we would receive for projects with the increase. Mr. Bedenbaugh stated with the current rate increases we are recommending, it is about \$300,000. If we were to increase our water rate 5% instead of 3%, that would add another \$140,000. If we were to increase our water rate 7%, that would add an additional \$190,000. He said staff could have the various options laid out for Council to review. He said it seemed Council did not want to triple the rate for outside city water rates. He felt that needed more study. He said staff could figure every quarter percent between 2% and 3% to give Council a sense of what the numbers would look like in terms of increased revenue.

Mayor Osbon stated he would like the ordinance to be amended to state a 2% sewer rate increase at tonight's meeting. Mr. Bedenbaugh stated for the next meeting staff will have charts for all the various examples for rate increases and how much revenue that would generate with the understanding this new revenue would be devoted to projects. He said he would do rate increases to show 3%, 5%, 7%, 9%, and 11%. He said he would get

the rate increases to Council before the May 13 Council meeting. Councilman Woltz asked for comparisons with other municipalities as well.

Mr. Bedenbaugh stated the next item is stormwater. He stated there was a presentation by the stormwater consultant several months ago that recommended how to adjust the stormwater rate. At the present time, the stormwater budget is balanced based on the current stormwater rate, which is \$5.42 a month for the average user. If adjustments are made to the stormwater rate, the increased revenue would go to projects. He stated there are several items to discuss regarding stormwater. The first item is the target for the stormwater rate for the average residential ERU user would ultimately be trying to get to \$7.90 a month, about a \$2.48 increase per month from the current rate. That is based on re-calculating the formula and determining what the base Equivalent Residential Unit would be. He stated this can be done several ways. They thought about phasing it in over several years. He stated it can be done in three consecutive increases of \$.83 per month. This would minimize the impact to the customer but also allow the City to start addressing some of the projects.

Mr. Bedenbaugh stated the other very critical item is how to bill non-residential users who are non-commercial. They are non-profits, such as churches, schools, etc. The system needs to be modified so that they are billed the same as non-residential commercial property. The City recognizes that would be a shock to these entities, so the thought is to set the plan in place but delay implementation of the billing. Their ERUs would still go up but they would be billed the same way they currently are. The billing would be implemented in late 2020 or January, 2021. The reasoning behind this is with some of these entities, it could be hundreds of extra dollars a month. We would need to educate these entities on when this is coming. Also, there are ways to get stormwater credits by doing appropriate best management practices that could lead to them seeing less of a rate increase. That would require a substantial educational component which is something we could not do in 6 months. He said we want to be good stewards for the public, and we want to be able to explain why we are doing it and give them options. He said he would suggest about an 18 month time period to give entities like churches, school district, and others time to set budgets in place so they are not getting thousands of dollars of stormwater increases without time to prepare for it. He said staff would recommend that this component of stormwater rates be implemented in January, 2021.

Mr. Bedenbaugh stated he was talking about the calculation of the ERU. He pointed out the presentation to Council regarding this matter. He pointed out that a non-residential stormwater customer that is a non-profit, a church, or government facility is billed a residential rate when they should not be, but should be billed according to the stormwater runoff that their facility is creating. He gave several examples of non-profit organizations and how a recalculation of the ERU would increase their stormwater fee by hundreds or thousands of dollars per month. He said he would like to phase in the recalculated stormwater fee for these non-profits and give them 18 months to prepare for the increase in fees. He pointed out they can get a rate reduction by incorporating some best management practices for their stormwater. He said staff would need to notify these several hundred entities that this fee increase is coming to give them some time to prepare and staff would need to educate them about ways they can institute at low cost some best management practices which could give them a credit. Mr. Bedenbaugh stated he wanted to get a sense from Council as to how they would like to approach this matter. He said he felt we would not want to go longer than 18 months to implement the fee. He felt we do not have the resources in house to implement the fee sooner than January, 2020.

Mr. Bedenbaugh stated he had another item he wanted to mention with regards to stormwater and get the sense of Council. Presently we bill all stormwater customers on the monthly water bill. We know there is a loophole that we are trying to fill. As we look to bill the ones that are parcels in the city that do not have a water account, we are looking to bill those people twice a year and then any unpaid balances go on the tax bill. Staff started thinking what if we looked at potentially billing everyone's stormwater fees on their annual tax bill. He noted the pros and cons. The change everyone would see is that everyone's water bill would go down, and the tax bill would go up about \$66 based on the current fee. However, the collection of our stormwater fee would be higher.

Presently our tax collection rate is about 97%, whereas our water bill collection rate is about 96%. Ms. Abney pointed out though what we are not collecting is when people move out. We bill them, but we don't always collect all of it. Mr. Bedenbaugh stated for Council consideration is whether we might want to continue to bill our stormwater customers monthly on the water bill except for those we are going to bill twice a year who don't have a water account and then on their tax bill if not paid. Or, would Council like staff to look at what it might be if everyone is billed once a year for their stormwater fee on the property tax bill.

Councilman Woltz stated he liked the idea of putting the stormwater fee on the tax bill as it would cost less. However, for a person with rental property we would be decreasing their income as they can't go back and collect it. When the fee is on the water bill, the tenant pays the fee. Billing on the tax bill would affect people who have rental units. Councilwoman Gregory noted she felt it might be tough on some families to pay their tax bill at the end of the year with another fee added to the tax bill. Councilmembers asked what the benefit would be to the city to bill the stormwater fee on the tax bill. Ms. Abney stated it would cost the city less to bill the stormwater fee on the tax bill once a year versus billing those who do not have a water account twice a year. She felt the collections would go up so the city would have money in the fund. Ms. Abney noted in talking about landlords, putting the fee on the tax bill would be billing the person who could actually do some of the best management practices to reduce the bill as opposed to their renters who are moving in and out. The renter can't make any changes to reduce their stormwater bill, but billing the owner they could make some changes. Putting the fee on the tax bill, we would be billing the person who has the responsibility for the property. She pointed out that billing the renter there will be a lot of back and forth from the renter to the owner of the property with people moving in and out. It would be easier administratively to bill the stormwater fee on the tax bill.

Mr. Bedenbaugh stated staff does need to do some additional work to find out how other jurisdictions bill their stormwater fee. He pointed out that a modification will need to be made to the stormwater ordinance to allow the city to collect a stormwater fee from the parcels that do not have a water account. He said this matter will be discussed more. Staff will have a recommendation for a stormwater rate adjustment on May 13. Mr. Bedenbaugh stated based on what the consultant recommended, the target monthly amount for the stormwater fee is \$7.90 per month. He wondered if Council would like to spread out an increase in the stormwater fee over several years or would Council like the rate to go up \$2.48 a month in one increase in fee. He said his recommendation would be to phase in the increase of \$2.48 and increase the fee 83 cents per month over the next three years.

Councilwoman Gregory stated on the stormwater fee, she wants to know what administrative labor is involved in handling the stormwater fee and the cost for that yearly, including how many people are working behind the scenes, and how much we are paying them. Then if we keep the stormwater fee monthly on the water bill what does that cost. She said she would like to see the dollar amount. She would also like the average increase on the tax bill for an average residence.

Councilman Woltz noted that if we phase the stormwater fee in over three years, at the end of the three years, would we be behind again because we did not have enough increase. Mr. Bedenbaugh stated that is a risk.

Councilwoman Price stated if we are going to phase the fee in over three years, that we increase the fee \$1 per month over three years. Mr. Bedenbaugh stated that would help with cost escalation over the three years. He pointed out that the stormwater fee had only been increased twice since the inception of the fee. The stormwater fee was instituted in 1992, and the rates were increased in 2003 and in 2015. We were the first city in South Carolina to institute a monthly stormwater fee. He said we have not kept the cost structure in line with the cost of doing business.

Councilman Dewar also pointed out that there is a cost to pay by phasing an increase in the fee over a period of time. You are getting less money, and you are slower bringing the system back to where it needs to be.

Council then generally discussed various possibilities of increasing the stormwater fee to bring in funds for projects and updating of the system.

Mr. Bedenbaugh stated from the discussions he would provide figures for increases of \$.83, \$1.24, and \$2.48 for the stormwater fund. He pointed out that \$2.48 essentially gets us to where we need to be at this time. For the water rates he will provide figures for increases of 3%, 5%, 7%, 9% and 11%. For sanitary sewer he will provide figures for 1.8%, 3%, 5%, 7%, and 11%. He pointed out that coming into this meeting, staff was recommending a 3% water and 1.23% sewer rate increase.

Mr. Bedenbaugh stated he would have a stormwater rate and an amended ordinance for Council consideration on May 13, 2019. We have the Stormwater Fund balanced with the fee at \$5.42 per month which is the current rate. Any increase in stormwater rate revenue would be devoted entirely to projects.

The work session ended at 6:14 p.m.

EXECUTIVE SESSION

Purchase/Sale of Property

Mayor Osbon stated that City Council needs to go into Executive Session pursuant to Section 30-4-70(a)(2) to discuss negotiations incident to a proposed contractual arrangement and proposed sale or purchase of property. Specifically, City Council needs to go into executive session to discuss a proposed contractual arrangement with the owners of real estate regarding the possible purchase and/or acquisition of land in the City of Aiken.

Councilwoman Diggs moved, seconded by Councilwoman Gregory, that Council go into executive session for the reason stated by Mayor Osbon. The motion was unanimously approved.

Council went into Executive Session at 6:15 p.m.

After discussion, Councilwoman Diggs moved, seconded by Councilman Woltz, that Council come out of Executive Session. The motion was unanimously approved.

Council came out of Executive Session at 6:50 p.m.



Sara B. Ridout
City Clerk